Financial Statement
1999-2000

Saskatchewan Learning
Resources Distribution Centre

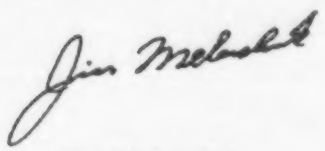
Letter of Transmittal

The Honourable L. Haverstock
Lieutenant Governor
Province of Saskatchewan

Your Honour:

I have the honour to submit for your consideration the Financial Statements of the Learning Resources Distribution Centre for the year ending March 31, 2000.

Respectfully submitted:



Jim Melenchuk
Minister of Education

101-03960/

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2000

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Saskatchewan Learning Resources Distribution Centre Revolving Fund as at March 31, 2000 and the statements of operations and accumulated operating surplus/deficit, and of changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Fred Wendel, CMA, CA
Acting Provincial Auditor

Regina, Saskatchewan
November 27, 2000

Statement 1

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
BALANCE SHEET
As at March 31

ASSETS

	2000	1999
Current:		
Petty Cash	$ 2,100	$ 2,100
Accounts receivable	229,023	298,292
Prepaid expenses	2,558	3,777
Inventories	2,234,111	2,433,912
Total Current Assets	2,467,792	2,738,081
Capital Assets (Note 5)	247,760	337,669
	$ 2,715,552	$ 3,075,750

LIABILITIES AND EQUITY

Current Liabilities:		
Accounts Payable and accrued liabilities	$ 29,433	$ 77,950
Customers' deposits and credits	7,282	20,039
	36,715	97,989
Non-current liabilites:		
Accumulated net expenditure (Statement 3)	3,154,042	3,049,039
Fund Equity:		
Accumulated operating surplus/(deficit) (Statement 2)	(475,205)	(71,278)
	$ 2,715,552	$ 3,075,750

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND

STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/DEFICIT

For the Year Ended March 31

	2000		1999
	Actual	Budget (Note 10)	Actual
Revenue:			
Sales	$3,021,018	$ 4,500,000	$ 3,629,693
Less: Cost of goods sold	2,824,486	3,940,000	3,116,782
Gross profit	196,532	560,000	512,911
Refund of previous year's expenditure	658	0	0
Other Income	207	30	13
WCP Project revenue (Note 12)	211,693	195,000	248,750
	409,090	755,030	761,674
Operating expenses:			
Salaries	374,312	360,000	401,095
Amortization	112,226	110,000	101,899
Postage	45,698	45,000	49,233
Office and warehouse expense	30,848	45,000	45,960
Computer support and maintenance	41,480	35,000	102,920
Freight and express out	6,700	24,000	11,910
Other	12,464	24,300	11,676
WCP Project expenses:			
Salaries	81,110	90,900	94,462
Audio-visual equip.,off.equip.rental,etc	31,353	20,600	27,565
Building rental	50,495	51,500	50,227
Office expense, etc.	26,331	32,000	34,754
	813,017	838,300	931,701
Net Income (loss) (Note 14)	(403,927)	(83,270)	(170,027)
Accumulated operating surplus/(deficit) beginning of year	(71,278)	(46,921)	98,749
Accumulated operating surplus/(deficit) end of year - to Statement 1	$ (475,205)	$ (130,191)	$ (71,278)

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2000	1999
Financing (provided by) required for operating activities:		
Net (income) loss	$ 403,927	$ 170,027
Items not affecting working capital		
amortization	(112,226)	(101,899)
gain (loss) on disposal of capital assets	0	(2)
Net increase (decrease) in working capital items related to operations (Note 7)	(209,476)	(98,713)
	82,225	(30,587)
Financing (provided by) required for investing activities		
Purchase of capital assets	22,317	58,751
Proceeds from sale of capital assets	0	(47)
	22,317	58,704
Net increase in financing requirements	104,542	28,117
Assets transferred to Revolving fund at no cost during year (Note 9)	461	1,251
Accumulated net expenditure, beginning of year	3,049,039	3,019,671
Accumulated net expenditure, end of year - to Statement 1	$ 3,154,042	$ 3,049,039

(See accompanying notes to the financial statements)

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2000

1. Authority and Definition of Entity

The authority for this Revolving Fund is contained in section 10(4) of *The Education Act, 1995*. *The Education Act, 1995* was amended to change the name of the Saskatchewan Book Bureau Revolving Fund to the Saskatchewan Learning Resources Distribution Centre Revolving Fund. The purpose of the Saskatchewan Learning Resources Distribution Centre Revolving Fund is to finance and to provide a system of accounting for the purchase, sale and distribution of such school textbooks, workbooks, reference textbooks, related print and non-print materials as recommended by the Department of Education for use in Saskatchewan schools, and to serve as distributor and sales agent for publications and materials of the Department of Education.

2. Significant Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the statement of changes in Accumulated Net Expenditure and Note 7. The following accounting policies are considered significant:

a) Basis of Accounting

The accounts are maintained on an accrual basis of accounting.

b) Net Expenditure/(Recovery)

The net cash expenditure/(recovery) is the cash from /(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

c) Accumulated Net Expenditure

The accumulated net expenditure of the Fund includes the following:

i) Amounts due to the Minister of Finance as at March 31, 1982, and assumed by the Revolving Fund in respect of working capital advances.

ii) Net cash expenditure/(recovery) for each fiscal year; and

iii) The book value of assets acquired at no cost from another government agency.

d) Amortization

Amortization is provided on office and warehouse equipment on a straight-line basis at an annual rate of 10% of acquistion value. Computer software costs are amortized at an annual rate of 25% from the date the software becomes operational. Computer equipment is amortized on a straight-line basis at an annual rate of 25% of acquistion value.

e) Inventory Valuation

Inventory is valued at the lower of average cost and net realizable value.

f) Pricing Policy

The Revolving Fund's sales catalogue of books and educational materials and the retail list prices of the items therein are revised periodically by the management with a view to operating the Revolving Fund as close to the break even point as possible. For the 1997 to 2000 years, the retail list price of publications was based on invoice cost plus up to 16.5%.

3. Authorized Financing

Section 10(10) of *The Education Act, 1995* provides for a maximum amount of accumulated net expenditures which may at any time be outstanding to be set by order of the Lieutenant Governor in Council. By Order in Council 11/85, the maximum amount has been set at $4,000,000.

4. Disposition of Accumulated Operating Surplus or Deficit

In accordance with section 10(6) of *The Education Act, 1995* the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus (deficit) for the Learning Resources Distribution Centre Revolving Fund shall be $150,000. Treasury Board has also specified that if at the end of the fiscal year the accumulated surplus (deficit) exceeds the maximum, then any surplus (deficit) in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid into (from) the General Revenue Fund.

5. Capital Assets

	2000			1999
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office Equipment	$ 4,553	$ 4,479	$ 74	$ 211
Warehouse Equipment	66,679	49,582	17,097	20,812
Computer Software	269,048	263,845	5,203	5,229
Computer Equipment	432,638	207,252	225,386	311,417
	$ 772,918	$ 525,158	$ 247,760	$ 337,669

Amortization provided in the financial statements for the current year amounted to $112,226 (1999 - $101,899).

6. Costs Borne by Other Agencies

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision for such costs is reflected in these financial statements.

7. Net Change in Working Capital Items Related to Operations

	2000	1999
(Decrease)/increase in accounts receivable	$ (69,269)	$ 20,896
(Decrease)/increase in prepaid expenses	(1,219)	(1,329)
(Decrease)/increase in inventories	(200,262)	(234,465)
Decrease/(increase) in accounts payable	61,274	116,185
	$ (209,476)	$ (98,713)

8. Related Parties

These financial statements include transactions with related parties. The LRDC Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards, and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Transfer of Inventory

The Department of Education transferred inventory items valued at $461 (1999 - $1251) to the Revolving Fund at no cost.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable, accounts payable and accrued liabilities. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

12. WCP Project

Western Canadian Protocol for Collaboration in Basic Education – Manitoba Education and Training has contracted Saskatchewan Education to provide a staffed facility and related services for the evaluation of learning resources that support the curriculum framework developed by this collaboration.

13. Uncertainty due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 date is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

14. Amount Reported in Public Accounts

The net financing requirement of the Revolving Fund reported in the Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving fund and the General Revenue Fund:

	2000	1999
Net income/(loss) from operations	$ (403,927)	$ (170,027)
(Increase)/decrease in inventory balance	199,801	233,212
(Increase)/decrease in net capital assets	89,910	43,197
Amounts not included in Public Accounts, due to timing	64,973	(36,049)
(Net financing requirement)/recovery, reported in the Public Accounts	$ (49,243)	$ 70,333